

- (ii) Calculate the difference between each of the composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2012 multiply by the appropriate Fiscal Year 2011 demand, and then multiply by the Price Cap Carrier Traffic Demand Factor; or
 - 3. For the purpose of establishing its recovery for net reciprocal compensation, a Price Cap Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.
- (ii) Beginning July 1, 2013, a Price Cap Carrier's eligible recovery will be equal to the CALLS Study Area Base Factor and/or the Non-CALLS Study Area Base Factor, as applicable, multiplied by the sum of the following three components:
- A. The cumulative amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to § 51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
 - B. CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor; and
 - C. A Price Cap Carrier's cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) resulting from rate reductions required by § 51.705 may be calculated in one of the following ways:
 - 1. Calculate the cumulative reduction in Fiscal Year 2011 net reciprocal compensation revenue as a result of rate reductions required by § 51.705 using Fiscal Year 2011 reciprocal compensation demand and then multiply by the Price Cap Carrier Traffic Demand Factor;
 - 2. By using a composite reciprocal compensation rate as follows:
 - (i) Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal compensation receipts and payments by their respective Fiscal Year 2011 demand;
 - (ii) Calculate the difference between each of the composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2013, using the appropriate Fiscal Year 2011 demand, and then multiply by the Price Cap Carrier Traffic Demand Factor; or
 - 3. For the purpose of establishing its recovery for net reciprocal compensation, a Price Cap Carrier may elect to forgo this step and receive no recovery for

reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.

- (iii) Beginning July 1, 2014, a Price Cap Carrier's eligible recovery will be equal to the CALLS Study Area Base Factor and/or the Non-CALLS Study Area Base Factor, as applicable, multiplied by the sum of the amounts in paragraphs (d)(1)(iii)A-(d)(1)(iii)E, and then adding the amount in paragraph(d)(1)(iii)F to that amount:
- A. The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to § 51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
 - B. The reduction in interstate switched access revenues equal to the difference between the Initial Composite Terminating End Office Access Rate and the 2014 Target Composite Terminating End Office Access Rate determined pursuant to § 51.907(d) using 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
 - C. If the 2014 Intrastate Composite Terminating End Office Access Rate is higher than the 2014 Target Composite Terminating End Office Access Rate, the reduction in revenues equal to the difference between the intrastate 2014 Composite Terminating End Office Access Rate and the intrastate 2014 Target Composite Terminating End Office Access Rate determined pursuant to § 51.907(d) using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
 - D. CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor; and
 - E. A Price Cap Carrier's cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) resulting from rate reductions required by § 51.705 may be calculated in one of the following ways:
 - 1. Calculate the cumulative reduction in Fiscal Year 2011 net reciprocal compensation revenue as a result of rate reductions required by § 51.705 using Fiscal Year 2011 reciprocal compensation demand, and then multiply by the Price Cap Carrier Traffic Demand Factor;
 - 2. By using a composite reciprocal compensation rate as follows:
 - (i) Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal compensation receipts and payments by their respective Fiscal Year 2011 demand;

- (ii) Calculate the difference between each of the composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2014, using the appropriate Fiscal Year 2011 demand, and then multiply by the Price Cap Carrier Traffic Demand Factor; or
- 3. For the purpose of establishing its recovery for net reciprocal compensation, a Price Cap Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.
- F. An amount equal to True-up Revenues for Access Recovery Charges less Expected Revenues for Access Recovery Charges for the year beginning July 1, 2012.
- (iv) Beginning July 1, 2015, a Price Cap Carrier's eligible recovery will be equal to the CALLS Study Area Base Factor and/or the Non-CALLS Study Area Base Factor, as applicable, multiplied by the sum of the amounts in paragraphs (d)(1)(iv)A-(d)(1)(iv)E, and then adding the amount in paragraph(d)(1)(iv)F to that amount:
 - A. The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to § 51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor;
 - B. The reduction in interstate switched access revenues equal to the difference between the Initial Composite Terminating End Office Access Rate and the 2015 Target Composite Terminating End Office Access Rate determined pursuant to § 51.907(e) using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
 - C. If the 2014 Intrastate Composite Terminating End Office Access Rate is higher than the 2015 Target Composite Terminating End Office Access Rate, the reduction in intrastate switched access revenues equal to the difference between the intrastate 2014 Composite Terminating End Office Access Rate and the 2015 Target Composite Terminating End Office Access Rate determined pursuant to § 51.907(e) using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor; and
 - D. CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;
 - E. A Price Cap Carrier's cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) resulting from rate reductions required by § 51.705 may be calculated in one of the following ways:
 - 1. Calculate the cumulative reduction in Fiscal Year 2011 net reciprocal compensation revenue as a result of rate reductions required by § 51.705

using Fiscal Year 2011 reciprocal compensation demand, and then multiply by the Price Cap Carrier Traffic Demand Factor;

2. By using a composite reciprocal compensation rate as follows:

(i) Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal compensation receipts and payments by their respective Fiscal Year 2011 demand;

(ii) Calculate the difference between each of the composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2015, using the appropriate Fiscal Year 2011 demand, and then multiply by the Price Cap Carrier Traffic Demand Factor; or

3. For the purpose of establishing its recovery for net reciprocal compensation, a Price Cap Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.

F. An amount equal to True-up Revenues for Access Recovery Charges less Expected Revenues for Access Recovery Charges for the year beginning July 1, 2013.

(v) Beginning July 1, 2016, a Price Cap Carrier's eligible recovery will be equal to the CALLS Study Area Base Factor and/or the Non-CALLS Study Area Base Factor, as applicable, multiplied by the sum of the amounts in paragraphs (d)(1)(v)A-(d)(1)(v)E, and then adding the amount in paragraph (d)(1)(v)F to that amount:

A. The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to § 51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor;

B. The reduction in interstate switched access revenues equal to the difference between the Initial Composite Terminating End Office Access Rate and \$0.0007 determined pursuant to § 51.907(f) using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;

C. If the 2014 Intrastate Composite Terminating End Office Access Rate is higher than \$0.0007, the reduction in revenues equal to the difference between the intrastate 2014 Composite Terminating End Office Access Rate and \$0.0007 determined pursuant to § 51.907(f) using Fiscal Year 2011 terminating intrastate end office minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;

- D. CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;
- E. A Price Cap Carrier's cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) resulting from rate reductions required by § 51.705 may be calculated in one of the following ways:
1. Calculate the cumulative reduction in Fiscal Year 2011 net reciprocal compensation revenue as a result of rate reductions required by § 51.705 using Fiscal Year 2011 reciprocal compensation demand, and then multiply by the Price Cap Carrier Traffic Demand Factor;
 2. By using a composite reciprocal compensation rate as follows:
 - (i) Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal compensation receipts and payments by their respective Fiscal Year 2011 demand;
 - (ii) Calculate the difference between each of the composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2016, using the appropriate Fiscal Year 2011 demand, and then multiply by the Price Cap Carrier Traffic Demand Factor; or
 3. For the purpose of establishing its recovery for net reciprocal compensation, a Price Cap Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.
- F. An amount equal to True-up Revenues for Access Recovery Charges less Expected Revenues for Access Recovery Charges for the year beginning July 1, 2014.
- (vi) Beginning July 1, 2017, a Price Cap Carrier's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vi)A-(d)(1)(vi)F, and then adding the amount in paragraph(d)(1)(vi)G to that amount:
- A. The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to § 51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
 - B. The reduction in interstate switched access revenues equal to the Initial Composite terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;

- C. The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- D. The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate to \$0.0007 pursuant to § 51.907(g)(2) using Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- E. CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor; and
- F. A Price Cap Carrier's cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) resulting from rate reductions required by § 51.705 may be calculated in one of the following ways:
 - 1. Calculate the cumulative reduction in Fiscal Year 2011 net reciprocal compensation revenue as a result of rate reductions required by § 51.705 using Fiscal Year 2011 reciprocal compensation demand, and then multiply by the Price Cap Carrier Traffic Demand Factor;
 - 2. By using a composite reciprocal compensation rate as follows:
 - (i) Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal compensation receipts and payments by their respective Fiscal Year 2011 demand;
 - (ii) Calculate the difference between each of the composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2017, using the appropriate Fiscal Year 2011 demand, and then multiply by the Price Cap Carrier Traffic Demand Factor; or
 - 3. For the purpose of establishing its recovery for net reciprocal compensation, a Price Cap Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.
- G. An amount equal to True-up Revenues for Access Recovery Charges less Expected Revenues for Access Recovery Charges for the year beginning July 1, 2015.

- (vii) Beginning July 1, 2018, a Price Cap Carrier's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vii)A-(d)(1)(vii)G, and then adding the amount in paragraph(d)(1)(vii)H to that amount:
- A. The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to § 51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and:
 - B. The reduction in interstate switched access revenues equal to the Initial Composite terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
 - C. The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
 - D. The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate to \$0.0007 pursuant to § 51.907(g)(2) using Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
 - E. The reduction in revenues resulting from moving from a terminating Tandem-Switched Transport Access Service rate tariffed at a maximum of \$0.0007 to removal of intercarrier charges pursuant to § 51.907(h), if applicable, using Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
 - F. CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor; and
 - G. A Price Cap Carrier's cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) resulting from rate reductions required by § 51.705 may be calculated in one of the following ways:
 - 1. Calculate the cumulative reduction in Fiscal Year 2011 net reciprocal compensation revenue as a result of rate reductions required by § 51.705 using Fiscal Year 2011 reciprocal compensation demand, and then multiply by the Price Cap Carrier Traffic Demand Factor;
 - 2. By using a composite reciprocal compensation rate as follows:
 - (i) Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal

compensation receipts and payments by their respective Fiscal Year 2011 demand;

- (ii) Calculate the difference between each of the composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2018, using the appropriate Fiscal Year 2011 demand, and then multiply by the Price Cap Carrier Traffic Demand Factor; or

- 3. For the purpose of establishing its recovery for net reciprocal compensation, a Price Cap Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.

H. An amount equal to True-up Revenues for Access Recovery Charges less Expected Revenues for Access Recovery Charges for the year beginning July 1, 2016.

- (viii) Beginning July 1, 2019, and in subsequent years, a Price Cap Carrier's eligible recovery will be equal to the amount calculated in paragraph (d)(1)(vii)A-(d)(1)(vii)H before the application of the Price Cap Carrier Traffic Demand Factor applicable in 2018 multiplied by the appropriate Price Cap Carrier Traffic Demand Factor for the year in question, and then adding an amount equal to True-up Revenues for Access Recovery Charges less Expected Revenues for Access Recovery Charges for the year beginning July 1 two years earlier
- (2) If a Price Cap Carrier recovers any costs or revenues that are already being recovered as Eligible Recovery through Access Recovery Charges or the Connect America Fund from another source, that carrier's ability to recover reduced switched access revenue from Access Recovery Charges or the Connect America Fund shall be reduced to the extent it receives duplicative recovery.
- (3) A Price Cap Carrier seeking revenue recovery must annually certify as part of its tariff filings to the Commission and to the relevant state commission that the carrier is not seeking duplicative recovery in the state jurisdiction for any Eligible Recovery subject to the recovery mechanism.
- (e) Access Recovery Charge. (1) A charge that is expressed in dollars and cents per line per month may be assessed upon end users that may be assessed an end user common line charge pursuant to § 69.152 of this chapter, to the extent necessary to allow the Price Cap Carrier to recover some or all of its eligible recovery determined pursuant to paragraph (d), subject to the caps described in paragraph (e)(5) below. A Price Cap Carrier may elect to forgo charging some or all of the Access Recovery Charge.
- (2) Total Access Recovery Charges calculated by multiplying the tariffed Access Recovery Charge by the projected demand for the year in question may not recover more than the amount of eligible recovery calculated pursuant to paragraph (d) for the year beginning on July 1.

- (3) For the purposes of this section, a Price Cap Carrier holding company includes all of its wholly-owned operating companies that are price cap incumbent local exchange carriers. A Price Cap Carrier Holding Company may recover the eligible recovery attributable to any price cap study areas operated by its wholly-owned operating companies through assessments of the Access Recovery Charge on end users in any price cap study areas operated by its wholly owned operating companies that are price cap incumbent local exchange carriers.
- (4) Distribution of Access Recovery Charges among lines of different types. (i) A Price Cap Carrier holding company that does not receive ICC-replacement CAF support (whether because it elects not to or because it does not have sufficient eligible recovery after the Access Recovery Charge is assessed or imputed) may not recover a higher fraction of its total revenue recovery from Access Recovery Charges assessed on Residential and Single Line Business lines than:
- A. The number of Residential and Single-Line Business lines divided by
 - B. The sum of the number of Residential and Single-Line Business lines and two (2) times the number of End User Common Line charges assessed on Multi-Line Business customers.
- (ii) For purposes of this rule, Residential and Single Line Business lines are lines (other than lines of Lifeline Customers) assessed the residential and single line business end user common line charge and lines assessed the non-primary residential end user common line charge.
- (iii) For purposes of this rule, Multi-Line Business Lines are lines assessed the multi-line business end user common line charge.
- (5) Per-line caps and other limitations on Access Recovery Charges
- (i) For each line other than lines of Lifeline Customers assessed a primary residential or single-line business end user common line charge or a non-primary residential end user common line charge pursuant to § 69.152 of this Chapter, a Price Cap Carrier may assess an Access Recovery Charge as follows:
 - A. Beginning July 1, 2012, a maximum of \$0.50 per month for each line;
 - B. Beginning July 1, 2013, a maximum of \$1.00 per month for each line;
 - C. Beginning July 1, 2014, a maximum of \$1.50 per month for each line;
 - D. Beginning July 1, 2015, a maximum of \$2.00 per month for each line; and
 - E. Beginning July 1, 2016, a maximum of \$2.50 per month for each line.

- (ii) For each line assessed a multi-line business end user common line charge pursuant to § 69.152 of this Chapter, a Price Cap Carrier may assess an Access Recovery Charge as follows:
 - A. Beginning July 1, 2012, a maximum of \$1.00 per month for each multi-line business end user common line charge assessed;
 - B. Beginning July 1, 2013, a maximum of \$2.00 per month for each multi-line business end user common line charge assessed;
 - C. Beginning July 1, 2014, a maximum of \$3.00 per month for each multi-line business end user common line charge assessed;
 - D. Beginning July 1, 2015, a maximum of \$4.00 per month for each multi-line business end user common line charge assessed; and
 - E. Beginning July 1, 2016, a maximum of \$5.00 per month for each multi-line business end user common line charge assessed.
 - (iii) The Access Recovery Charge allowed by paragraph (e)(5)(i) may not be assessed to the extent that its assessment would bring the total of the Rate Ceiling Component Charges above the Residential Rate Ceiling on January 1 of that year. This limitation applies only to the first residential line obtained by a residential end user and does not apply to single-line business customers.
 - (iv) The Access Recovery Charge allowed by paragraph (e)(5)(ii) may not be assessed to the extent that its assessment would bring the total of the multi-line business end user common line charge and the Access Recovery Charge above \$12.20 per line.
 - (v) The Access Recovery Charge assessed on lines assessed the non-primary residential line end user common line charge in a study area may not exceed the Access Recovery Charge assessed on residential end-users' first residential line in that study area.
 - (vi) The Access Recovery Charge may not be assessed on lines of any Lifeline Customers.
 - (vii) If in any year, the Price Cap Carrier's Access Recovery Charge is not at its maximum, the succeeding year's Access Recovery Charge may not increase more than \$.050 per line per month for charges assessed under paragraph (e)(5)(i) or \$1.00 per line per month for charges assessed under paragraph (e)(5)(ii).
- (f) Price Cap Carrier eligibility for CAF ICC Support.
- (2) A Price Cap Carrier shall elect in its July 1, 2012 access tariff filing whether it will receive CAF ICC Support under this paragraph. A Price Cap Carrier eligible to receive CAF ICC Support subsequently may elect at any time not to receive such funding. Once

it makes the election not to receive CAFF ICC Support , it may not elect to receive such funding at a later date.

- (3) Beginning July 1, 2012, a Price Cap Carrier may recover any eligible recovery allowed by paragraph (d) that it could not have recovered through charges assessed pursuant to paragraph (e) from CAF ICC Support pursuant to § 54.304. For this purpose, the Price Cap Carrier must impute the maximum charges it could have assessed under paragraph (e).
- (4) Beginning July 1, 2017, a Price Cap Carrier may recover two-thirds (2/3) of the amount it otherwise would have been eligible to recover under subparagraph (2) from CAF ICC Support .
- (5) Beginning July 1, 2018, a Price Cap Carrier may recover one-third (1/3) of the amount it otherwise would have been eligible to recover under subparagraph (2) from CAF ICC Support .
- (6) Beginning July 1, 2019, a Price Cap Carrier may no longer recover any amount related to revenue recovery under this paragraph from CAF ICC Support .
- (7) A Price Cap Carrier that elects to receive CAF ICC support must certify with its 2012 annual access tariff filing and on April 1st of each subsequent year that it has complied with paragraphs (d) and (e), and, after doing so, is eligible to receive the CAF ICC support requested pursuant to paragraph (f).

§ 51.917 Revenue recovery for Rate-of-Return Carriers.

- (a) **Scope.** This section sets forth the extent to which Rate-of-Return Carriers may recover, through the recovery mechanism outlined below, a portion of revenues lost due to rate reductions required by §§ 20.11(b), 51.705 and 51.909 of this chapter.
- (b) **Definitions.** 2011 Interstate Switched Access Revenue Requirement. 2011 Interstate Switched Access Revenue Requirement means: (a) for a Rate-of-Return Carrier that participated in the NECA 2011 annual switched access tariff filing, its projected interstate switched access revenue requirement associated with the NECA 2011 annual interstate switched access tariff filing; (b) for a Rate-of-Return Carrier subject to section 61.38 of this chapter that filed its own annual access tariff in 2010 and did not participate in the NECA 2011 annual switched access tariff filing, its projected interstate switched access revenue requirement in its 2010 annual interstate switched access tariff filing; and (3) for a Rate-of-Return Carrier subject to section 61.39 of this chapter that filed its own annual switched access tariff in 2011, its historically-determined annual interstate switched access revenue requirement filed with its 2011 annual interstate switched access tariff filing.
- (1) **Expected Revenues.** Expected Revenues from an access service are calculated using the default transition rate for that service specified by § 51.909 of this part and forecast demand for that service. Expected Revenues from a non-access service are calculated using the default transition rate for that service specified by § 20.11 or § 51.705 of this chapter and forecast net demand for that service.

- (2) Rate-of-Return Carrier Baseline Adjustment Factor. The Rate-of-Return Carrier Baseline Adjustment Factor, as used in calculating eligible recovery for Rate-of-Return Carriers, is equal to ninety-five (95) percent for the period beginning July 1, 2012. It is reduced by five (5) percent of its previous value in each subsequent annual tariff filing.
- (3) Revenue Requirement. Revenue Requirement is equal to a carrier's regulated operating costs plus an 11.25 percent return on a carrier's net rate base calculated in compliance with the provisions of parts 36, 65 and 69 of this chapter. For an average schedule carrier, its Revenue Requirement shall be equal to the average schedule settlements it received from the pool, adjusted to reflect an 11.25 percent rate of return, or what it would have received if it had been a participant in the pool. If the reference is to an operating segment, these references are to the Revenue Requirement associated with that segment.
- (4) True-up Adjustment. The True-up Adjustment is equal to the Expected Revenues less the True-up Revenues for any particular service for the period in question.
- (5) True-up Revenues. True-up Revenues from an access service are equal to Expected Revenues minus ((projected demand minus actual realized demand for that service) times the default transition rate for that service specified by 51.909). True-up Revenues from a non-access service are equal to Expected Revenues minus ((projected demand minus actual realized net demand for that service) times the default transition rate for that service specified by 20.11(b) or 51.705). Realized demand is the demand for which payment has been received, or has been made, as appropriate, by the time the true-up is made.
- (c) 2011 Rate-of-Return Carrier Base Period Revenue. (1) 2011 Rate-of-Return Carrier Base Period Revenue is the sum of:
- (i) 2011 Interstate Switched Access Revenue Requirement;
 - (ii) Fiscal Year 2011 revenues from Transitional Intrastate Access Service received by March 31, 2012; and
 - (iii) Fiscal Year 2011 reciprocal compensation revenues received by March 31, 2012, less Fiscal Year 2011 reciprocal compensation payments paid and/or payable by March 31, 2012
- (2) 2011 Rate-of-Return Carrier Base Period Revenue shall be adjusted to reflect the removal of any increases in revenue requirement or revenues resulting from access stimulation activity the Rate-of-Return Carrier engaged in during the relevant measuring period. A Rate-of-Return Carrier should make this adjustment for its initial July 1, 2012, tariff filing, but the adjustment may result from a subsequent Commission or court ruling.
- (d) Eligible Recovery for Rate-of-Return Carriers. (1) Notwithstanding any other provision of the Commission's rules, a Rate-of-Return Carrier may recover the amounts specified in this paragraph through the mechanisms described in paragraphs (e) and (f).

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- (i) Beginning July 1, 2012, a Rate-of-Return Carrier's eligible recovery will be equal to the Rate-of-Return Carrier Baseline Adjustment Factor multiplied by the sum of:
1. The Fiscal Year 2011 revenues from Transitional Intrastate Access Service less the Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2012, reflecting the rate transition contained in § 51.909;
 2. 2011 Base Period Revenue Requirement less the Expected Revenues from interstate switched access for the year beginning July 1, 2012, reflecting the rate transition contained in § 51.909;
 3. CMRS Net Reciprocal Compensation Revenues; and
 4. A Rate-of-Return Carrier's reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) of this part resulting from rate reductions required by § 51.705, which may be calculated in one of the following ways:
 - i. Fiscal Year 2011 net reciprocal compensation revenue less the Expected Revenues from net reciprocal compensation for the year beginning July 1, 2012, reflecting the rate reductions required by § 51.705;
 - ii. By using a composite reciprocal compensation rate as follows:
 1. Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal compensation receipts and payments by their respective Fiscal Year 2011 demand;
 2. Estimate the expected reduction in net reciprocal compensation for the year beginning July 1, 2012, by calculating the expected difference between the Fiscal Year 2011 composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2012 using projected 2012 demand; or
 - iii. For the purpose of establishing its recovery for net reciprocal compensation, a Rate-of-Return Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.
- (ii) Beginning July 1, 2013, a Rate-of-Return Carrier's eligible recovery will be equal to the Rate-of-Return Carrier Baseline Adjustment Factor multiplied by the sum of:
1. The Fiscal Year 2011 revenues from Transitional Intrastate Access Service less the Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2013, reflecting the rate transition contained in § 51.909;

2. 2011 Rate-of-Return Carrier Base Period Revenue Requirement less the Expected Revenues from interstate switched access for the year beginning July 1, 2013
 3. CMRS Net Reciprocal Compensation Revenues;
 4. A Rate-of-Return Carrier's reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) resulting from rate reductions required by § 51.705 may be calculated in one of the following ways:
 - i. Fiscal Year 2011 net reciprocal compensation revenue less the Expected Revenues from net reciprocal compensation for the year beginning July 1, 2013, reflecting the rate reductions required by 51.705;
 - ii. By using a composite reciprocal compensation rate as follows:
 1. Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal compensation receipts and payments by their respective Fiscal Year 2011 demand;
 2. Estimate the expected reduction in net reciprocal compensation for the year beginning July 1, 2013, by calculating the expected difference between the Fiscal Year 2011 composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2013 using projected 2013 demand; or
 - iii. For the purpose of establishing its recovery for net reciprocal compensation, a Rate-of-Return Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.
- (iii)Beginning July 1, 2014, a Rate-of-Return Carrier's eligible recovery will be equal to the Rate-of-Return Carrier Baseline Adjustment Factor multiplied by the sum of the amounts in paragraphs (d)(1)(iii)(1)-(d)(1)(iii)(4), and by adding the amount in paragraph (d)(1)(iii)5 to that amount:
1. The Fiscal Year 2011 revenues from Transitional Intrastate Access Service less the Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2014, reflecting the rate transitions contained in § 51.909 (including the reduction in intrastate End Office Switched Access Service rates), adjusted to reflect the True-Up Adjustment for Transitional Intrastate Access Service for the year beginning July 1, 2012;
 2. 2011 Base Period Revenue Requirement less the Expected Revenues from interstate switched access for the year beginning July 1, 2014, adjusted to reflect

the True-Up Adjustment for Interstate switched Access for the year beginning July 1, 2012;

3. CMRS Net Reciprocal Compensation Revenues; and
 4. A Rate-of-Return Carrier's reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) resulting from rate reductions required by § 51.705 may be calculated in one of the following ways:
 - i. Fiscal Year 2011 net reciprocal compensation revenue less the Expected Revenues from net reciprocal compensation for the year beginning July 1, 2014, reflecting the rate reductions required by 51.705 adjusted to reflect the True-Up Adjustment for reciprocal compensation for the year beginning July 1, 2012;
 - ii. By using a composite reciprocal compensation rate as follows:
 1. Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal compensation receipts and payments by their respective Fiscal Year 2011 demand;
 2. Estimate the expected reduction in net reciprocal compensation for the year beginning July 1, 2014, by calculating the expected difference between the Fiscal Year 2011 composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2014, adjusted to reflect the True-Up Adjustment for reciprocal compensation for the year beginning July 1, 2012; or
 - iii. For the purpose of establishing its recovery for net reciprocal compensation, a Rate-of-Return Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.
 5. An amount equal to True-up Revenues for Access Recovery Charges less Expected Revenues for Access Recovery Charges for the year beginning July 1, 2012.
- (iv) Beginning July 1, 2015, and for all subsequent years, a Rate-of-Return Carrier's eligible recovery will be calculated by updating the procedures set forth in paragraph (d)(1)(iii) for the period beginning July 1, 2014, to reflect the passage of an additional year in each subsequent year.
- (v) If a Rate-of-Return Carrier receives payments for intrastate or interstate switched access services or for Access Recovery Charges after the period used to measure the adjustments to reflect the differences between estimated and actual revenues, it shall

treat such payments as actual revenue in the year the payment is received and shall reflect this as an additional adjustment for that year.

- (vi) If a Rate-of-Return Carrier receives or makes reciprocal compensation payments after the period used to measure the adjustments to reflect the differences between estimated and actual net reciprocal compensation revenues, it shall treat such amounts as actual revenues or payments in the year the payment is received or made and shall reflect this as an additional adjustment for that year.
 - (vii) If a Rate-of-Return Carrier recovers any costs or revenues that are already being recovered as Eligible Recovery through Access Recovery Charges or the Connect America Fund from another source, that carrier's ability to recover reduced switched access revenue from Access Recovery Charges or the Connect America Fund shall be reduced to the extent it receives duplicative recovery. A Rate-of-Return Carrier seeking revenue recovery must annually certify as part of its tariff filings to the Commission and to the relevant state commission that the carrier is not seeking duplicative recovery in the state jurisdiction for any Eligible Recovery subject to the recovery mechanism.
- (e) Access Recovery Charge. (1) A charge that is expressed in dollars and cents per line per month may be assessed upon end users that may be assessed a subscriber line charge pursuant to § 69.104 of this chapter, to the extent necessary to allow the Rate-of-Return Carrier to recover some or all of its Eligible Recovery determined pursuant to paragraph (d), subject to the caps described in paragraph (e)(6) below. A Rate-of-Return Carrier may elect to forgo charging some or all of the Access Recovery Charge.
- (2) Total Access Recovery Charges calculated by multiplying the tariffed Access Recovery Charge by the projected demand for the year may not recover more than the amount of eligible recovery calculated pursuant to paragraph (d) for the year beginning on July 1.
 - (3) For the purposes of this section, a Rate-of-Return Carrier holding company includes all of its wholly-owned operating companies. A Rate-of-Return Carrier Holding Company may recover the eligible recovery attributable to any Rate-of-Return study areas operated by its wholly-owned operating companies that are Rate-of-Return incumbent local exchange carriers through assessments of the Access Recovery Charge on end users in any Rate-of-Return study areas operated by its wholly owned operating companies that are Rate-of-Return incumbent local exchange carriers.
 - (4) Distribution of Access Recovery Charges among lines of different types
 - (i) A Rate-of-Return Carrier that does not receive ICC-replacement CAF support (whether because they elect not to or because they do not have sufficient eligible recovery after the Access Recovery Charge is assessed or imputed) may not recover a higher ratio of its total revenue recovery from Access Recovery Charges assessed on Residential and Single Line Business lines than the following ratio (using holding company lines):

1. The number of Residential and Single-Line Business lines assessed an End User Common Line charge (excluding Lifeline Customers), divided by
 2. The sum of the number of Residential and Single-Line Business lines assessed an End User Common Line charge (excluding Lifeline Customers), and two (2) times the number of End User Common Line charges assessed on Multi-Line Business customers.
- (5) For purposes of this rule, Residential and Single Line Business lines are lines (other than lines of Lifeline Customers) assessed the residential and single line business end user common line charge.
- (i) For purposes of this rule, Multi-Line Business Lines are lines assessed the multi-line business end user common line charge.
- (6) Per-line caps and other limitations on Access Recovery Charges. (i) For each line other than lines of Lifeline Customers assessed a primary residential or single-line business end user common line charge pursuant to § 69.104 of this Chapter, a Rate-of-Return Carrier may assess an Access Recovery Charge as follows:
1. Beginning July 1, 2012, a maximum of \$0.50 per month for each line;
 2. Beginning July 1, 2013, a maximum of \$1.00 per month for each line;
 3. Beginning July 1, 2014, a maximum of \$1.50 per month for each line;
 4. Beginning July 1, 2015, a maximum of \$2.00 per month for each line;
 5. Beginning July 1, 2016, a maximum of \$2.50 per month for each line; and
 6. Beginning July 1, 2017, a maximum of \$3.00 per month for each line.
- (ii) For each line assessed a multi-line business end user common line charge pursuant to § 69.104 of this Chapter, a Rate-of-Return Carrier may assess an Access Recovery Charge as follows:
1. Beginning July 1, 2012, a maximum of \$1.00 per month for each multi-line business end user common line charge assessed;
 2. Beginning July 1, 2013, a maximum of \$2.00 per month for each multi-line business end user common line charge assessed;
 3. Beginning July 1, 2014, a maximum of \$3.00 per month for each multi-line business end user common line charge assessed;
 4. Beginning July 1, 2015, a maximum of \$4.00 per month for each multi-line business end user common line charge assessed;

5. Beginning July 1, 2016, a maximum of \$5.00 per month for each multi-line business end user common line charge assessed; and
 6. Beginning July 1, 2017, a maximum of \$6.00 per month for each multi-line business end user common line charge assessed.
- (iii) The Access Recovery Charge allowed by subparagraph (e)(6)(i) may not be assessed to the extent that its assessment would bring the total of the Rate Ceiling Component Charges above the Residential Rate Ceiling. This limitation does not apply to single-line business customers.
- (iv) The Access Recovery Charge allowed by subparagraph (e)(6)(ii) may not be assessed to the extent that its assessment would bring the total of the multi-line business end user common line charge and the Access Recovery Charge above \$12.20 per line.
- (v) The Access Recovery Charge may not be assessed on lines of Lifeline Customers.
- (vi) If in any year, the Rate of return carriers' Access Recovery Charge is not at its maximum, the succeeding year's Access Recovery Charge may not increase more than \$0.50 per line for charges under subparagraph (e)(6)(i) or \$1.00 per line for charges assessed under subparagraph (e)(6)(ii).
- (vii) A Price Cap Carrier with study areas that are subject to rate-of-return regulation shall recover its eligible recovery for such study areas through the recovery procedures specified in this section. For that purpose, the provisions of paragraph (e)(3) shall apply to the rate-of-return study areas if the applicable conditions in paragraph (e)(3) are met.
- (f) Rate-of-Return Carrier eligibility for CAF ICC Recovery. (1) A Rate-of-Return Carrier shall elect in its July 1, 2012 access tariff filing whether it will receive CAF ICC Support under this paragraph. A Rate-of-Return Carrier eligible to receive CAF ICC Support subsequently may elect at any time not to receive such funding. Once it makes the election not to receive CAF ICC Support, it may not elect to receive such funding at a later date.
- (2) Beginning July 1, 2012, a Rate-of-Return Carrier may recover any eligible recovery allowed by paragraph (d) that it could not have recovered through charges assessed pursuant to paragraph (e) from CAF ICC Support pursuant to § 54.304. For this purpose, the Rate-of-Return Carrier must impute the maximum charges it could have assessed under paragraph (e).
- (3) A Rate-of-Return Carrier that elects to receive CAF ICC support must certify with its 2012 annual access tariff filing and on April 1st of each subsequent year that it has complied with paragraphs (d) and (e), and, after doing so, is eligible to receive the CAF ICC support requested pursuant to paragraph (f).

§ 51.919 Reporting and monitoring

(a) A Price Cap Carrier that elects to participate in the recovery mechanism outlined in § 51.915 shall, beginning in 2012, file with the Commission the data consistent with Section XIII (f)(3) of FCC 11-161 with its annual access tariff filing.

(b) A Rate-of-Return Carrier that elects to participate in the recovery mechanism outlined in § 51.917 shall file with the Commission the data consistent with Section XIII (f)(3) of FCC 11-161 with its annual interstate access tariff filing, or on the date such a filing would have been required if it had been required to file in that year.

PART 54—UNIVERSAL SERVICE

32. The authority citation for part 54 is revised to read as follows:

Authority: 47 U.S.C. 151, 154(i), 201, 205, 214, 219, 220, 254, 303(r), 403, and 1302 unless otherwise noted.

Subpart A—General Information

33. Amend §54.5 by adding definitions of “community anchor institutions,” “high-cost support,” “Tribal lands” and “unsubsidized competitor,” and by revising the definition of “rate-of-return carrier” to read as follows:

§ 54.5 Terms and Definitions.

* * * * *

Community anchor institutions. For the purpose of high-cost support, “community anchor institutions” refers to schools, libraries, health care providers, community colleges, other institutions of higher education, and other community support organizations and entities.

High-cost support. “High-cost support” refers to those support mechanisms in existence as of October 1, 2011, specifically, high-cost loop support, safety net additive and safety valve provided pursuant to subpart F of part 36, local switching support pursuant to § 54.301, forward-looking support pursuant to § 54.309, interstate access support pursuant to §§ 54.800 through 54.809, and interstate common line support pursuant to §§ 54.901 through 54.904, support provided pursuant to §§ 51.915, 51.917, and 54.304, support provided to competitive eligible telecommunications carriers as set forth in §54.307(e), Connect America Fund support provided pursuant to § 54.312, and Mobility Fund support provided pursuant to subpart L of this part.

* * * * *

Rate-of-return carrier. “Rate-of-return carrier” shall refer to any incumbent local exchange carrier not subject to price cap regulation as that term is defined in § 61.3(aa) of this chapter.

* * * * *

Tribal lands. For the purposes of high-cost support, “Tribal lands” include any federally recognized Indian tribe’s reservation, pueblo or colony, including former reservations in Oklahoma, Alaska Native regions established pursuant to the Alaska Native Claims Settlements Act (85 Stat. 688) and Indian Allotments, see § 54.400(e), as well as Hawaiian Home Lands – areas held in trust for native Hawaiians by the state of Hawaii, pursuant to the Hawaiian Homes Commission Act, 1920, July 9, 1921, 42 Stat. 108, et seq., as amended.

Unsubsidized competitor. An “unsubsidized competitor” is a facilities-based provider of residential fixed voice and broadband service that does not receive high-cost support.

* * * * *

14. Revise § 54.7 to read as follows:

§ 54.7 Intended use of federal universal service support.

(a) A carrier that receives federal universal service support shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

(b) The use of federal universal service support that is authorized by paragraph (a) shall include investments in plant that can, either as built or with the addition of plant elements, when available, provide access to advanced telecommunications and information services.

Subpart B—Services Designated for Support

34. Revise §54.101 to read as follows:

§ 54.101 Supported services for rural, insular and high cost areas.

(a) Services designated for support. Voice telephony service shall be supported by federal universal service support mechanisms. The functionalities of eligible voice telephony services include voice grade access to the public switched network or its functional equivalent; minutes of use for local service provided at no additional charge to end users; access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911, to the extent the local government in an eligible carrier’s service area has implemented 911 or enhanced 911 systems; and toll limitation for qualifying low-income consumers (as described in subpart E of this part).

(b) An eligible telecommunications carrier must offer voice telephony service as set forth in paragraph (a) of this section in order to receive federal universal service support.

Subpart C—Carriers Eligible for Universal Service Support

35. Revise §54.202 to read as follows:

§ 54.202 Additional requirements for Commission designation of eligible telecommunications carriers.

(a) In order to be designated an eligible telecommunications carrier under section 214(e)(6), any common carrier in its application must:

(1) (i) Certify that it will comply with the service requirements applicable to the support that it receives.

(ii) Submit a five-year plan that describes with specificity proposed improvements or upgrades to the applicant's network throughout its proposed service area. Each applicant shall estimate the area and population that will be served as a result of the improvements.

(2) Demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations.

(3) Demonstrate that it will satisfy applicable consumer protection and service quality standards. A commitment by wireless applicants to comply with the Cellular Telecommunications and Internet Association's Consumer Code for Wireless Service will satisfy this requirement. Other commitments will be considered on a case-by-case basis.

(b) Public Interest Standard. Prior to designating an eligible telecommunications carrier pursuant to section 214(e)(6), the Commission determines that such designation is in the public interest.

(c) A common carrier seeking designation as an eligible telecommunications carrier under section 214(e)(6) for any part of Tribal lands shall provide a copy of its petition to the affected tribal government and tribal regulatory authority, as applicable, at the time it files its petition with the Federal Communications Commission. In addition, the Commission shall send any public notice seeking comment on any petition for designation as an eligible telecommunications carrier on Tribal lands, at the time it is released, to the affected tribal government and tribal regulatory authority, as applicable, by the most expeditious means available.

Subpart D—Universal Service Support for High-Cost Areas

36. Amend §54.301 by revising paragraph (a)(1), revising the first sentence of paragraph (b), and by revising the first sentence of paragraph (e)(1) to read as follows:

§ 54.301 Local switching support.

(a) ***

(1) Beginning January 1, 1998 and ending December 31, 2011, an incumbent local exchange carrier that has been designated an eligible telecommunications carrier and that serves a study area with 50,000 or fewer access lines shall receive support for local switching costs using the following formula: the carrier's projected annual unseparated local switching revenue requirement, calculated pursuant to paragraph (d) of this section, shall be multiplied by the local switching support factor. Beginning January 1, 2012 and ending June 30, 2012, a rate-of-return carrier, as that term is defined in § 54.5 of this chapter, that is an incumbent local exchange carrier that has been designated an eligible telecommunications carrier and that serves a study area with 50,000 or fewer access lines and is not affiliated with a price cap carrier, as that term is defined in § 61.3(aa) of this chapter, shall receive support for local switching costs frozen at the

same support level received for calendar year 2011, subject to true-up. For purposes of this section, local switching costs shall be defined as Category 3 local switching costs under part 36 of this chapter.

Beginning January 1, 2012, no carrier that is a price cap carrier, as that term is defined in § 61.3(aa) of this chapter, or a rate-of-return carrier, as that term is defined in § 54.5 of this chapter, that is affiliated with a price cap carrier, shall receive local switching support. Beginning July 1, 2012, no carrier shall receive local switching support.

(b) Submission of data to the Administrator. Until October 1, 2011, each incumbent local exchange carrier that has been designated an eligible telecommunications carrier and that serves a study area with 50,000 or fewer access lines shall, for each study area, provide the Administrator with the projected total unseparated dollar amount assigned to each account listed below for the calendar year following each filing.***

(e) True-up adjustment—(1) Submission of true-up data. Until December 31, 2012, each incumbent local exchange carrier that has been designated an eligible telecommunications carrier and that serves a study area with 50,000 or fewer access lines shall, for each study area, provide the Administrator with the historical total unseparated dollar amount assigned to each account listed in paragraph (b) of this section for each calendar year no later than 12 months after the end of such calendar year.***

37. Add §54.302 to subpart D to read as follows:

§ 54.302 Monthly per-line limit on universal service support.

(a) Beginning July 1, 2012 and until June 30, 2013, each study area's universal service monthly support (not including Connect America Fund support provided pursuant to § 54.304) on a per-line basis shall not exceed \$250 per-line plus two-thirds of the difference between its uncapped per-line monthly support and \$250. Beginning July 1, 2013 and until June 30, 2014, each study area's universal service monthly support on a per-line basis shall not exceed \$250 per-line plus one third of the difference between its uncapped per-line monthly support and \$250. Beginning July 1, 2014, each study area's universal service monthly per-line support shall not exceed \$250.

(b) For purposes of this section, universal service support is defined as the sum of the amounts calculated pursuant to §§ 36.605, 36.631, 54.301, 54.305, and 54.901-.904 of this chapter. Line counts for purposes of this section shall be as of the most recent line counts reported pursuant to § 36.611(h) of this chapter.

(c) The Administrator, in order to limit support to \$250 for affected carriers, shall reduce safety net additive support, high-cost loop support, safety valve support, and interstate common line support in proportion to the relative amounts of each support the study area would receive absent such limitation.

§54.303 [Removed]

38. Section 54.303 is removed.

39. Add §54.304 to subpart D to read as follows:

§54.304 – Administration of Connect America Fund Intercarrier Compensation Replacement.

- (a) The Administrator shall administer CAF ICC support pursuant to § 51.915 and § 51.917 of this chapter.
- (b) The funding period is the period beginning July 1 through June 30 of the following year.
- (c) For price cap carriers that are eligible and elect, pursuant to § 51.915(f) of this chapter, to receive CAF ICC support, the following provisions govern the filing of data with the Administrator, the Commission, and the relevant state commissions and the payment by the Administrator to those carriers of CAF ICC support amounts that the carrier is eligible to receive pursuant to § 51.915 of this chapter.
 - (1) A price cap carrier seeking CAF ICC support pursuant to § 51.915 of this chapter shall file data with the Administrator, the Commission, and the relevant state commissions no later than June 30, 2012, for the first year, and no later than March 31, in subsequent years, establishing the amount of the price cap carrier's eligible CAF ICC funding during the upcoming funding period pursuant to § 51.915 of this chapter. The amount shall include any true-ups, pursuant to § 51.915 of this chapter, associated with an earlier funding period.
 - (2) The Administrator shall monthly pay each price cap carrier one-twelfth (1/12) of the amount the carrier is eligible to receive during that funding period.
- (d) For rate-of-return carriers that are eligible and elect, pursuant to § 51.917(f) of this chapter, to receive CAF ICC support, the following provisions govern the filing of data with the Administrator, the Commission, and the relevant state commissions and the payment by the Administrator to those carriers of CAF ICC support amounts that the rate-of-return carrier is eligible to receive pursuant to § 51.917 of this chapter.
 - (1) A rate-of-return carrier seeking CAF ICC support shall file data with the Administrator, the Commission, and the relevant state commissions no later than June 30, 2012, for the first year, and no later than March 31, in subsequent years, establishing the rate-of-return carrier's projected eligibility for CAF ICC funding during the upcoming funding period pursuant to § 51.917 of this chapter. The projected amount shall include any true-ups, pursuant to § 51.917 of this chapter, associated with an earlier funding period.
 - (2) The Administrator shall monthly pay each rate-of-return carrier one-twelfth (1/12) of the amount the carrier is to be eligible to receive during that funding period.

40. Amend §54.305 by adding a sentence at the end of paragraph (a) and by adding a sentence at the beginning of paragraph (b) to read as follows:

§ 54.305 Sale or transfer of exchanges.

(a) *** After December 31, 2011, the provisions of this section shall not be used to determine support for any price cap incumbent local exchange carrier or a rate-of-return carrier, as that term is defined in § 54.5 of this chapter, that is affiliated with a price cap incumbent local exchange carrier.

(b) Beginning January 1, 2012, any carrier subject to the provisions of this paragraph shall receive support pursuant to this paragraph or support based on the actual costs of the acquired exchanges, whichever is less. ***

41. Amend §54.307 by adding paragraph (e) to read as follows:

§ 54.307 Support to a competitive eligible telecommunications carrier.

(e) Support Beginning January 1, 2012. Competitive eligible telecommunications carriers will, beginning January 1, 2012, receive support based on the methodology described in this paragraph and not based on paragraph (a) of this section.

(1) Baseline Support Amount. Each competitive eligible telecommunication carrier will have a “baseline support amount” equal to its total 2011 support in a given study area, or an amount equal to \$3,000 times the number of reported lines for 2011, whichever is lower. Each competitive eligible telecommunications carrier will have a “monthly baseline support amount” equal to its baseline support amount divided by twelve.

(i) “Total 2011 support” is the amount of support disbursed to a competitive eligible telecommunication carrier for 2011, without regard to prior period adjustments related to years other than 2011 and as determined by the Administrator on January 31, 2012.

(ii) For the purpose of calculating the \$3,000 per line limit, the average of lines reported by a competitive eligible telecommunication carrier pursuant to line count filings required for December 31, 2010, and December 31, 2011 shall be used.

(2) Monthly Support Amounts. Competitive eligible telecommunications carriers shall receive the following support amounts, except as provided in paragraphs (e)(3) through (e)(6) of this section.

(i) From January 1, 2012, to June 30, 2012, each competitive eligible telecommunications carrier shall receive its monthly baseline support amount each month.

(ii) From July 1, 2012 to June 30, 2013, each competitive eligible telecommunications carrier shall receive 80 percent of its monthly baseline support amount each month.

(iii) From July 1, 2013, to June 30, 2014, each competitive eligible telecommunications carrier shall receive 60 percent of its monthly baseline support amount each month.

(iv) From July 1, 2014, to June 30, 2015, each competitive eligible telecommunications carrier shall receive 40 percent of its monthly baseline support amount each month.

(v) From July 1, 2015, to June 30, 2016, each competitive eligible telecommunications carrier shall receive 20 percent of its monthly baseline support amount each month.

(vi) Beginning July 1, 2016, no competitive eligible telecommunications carrier shall receive universal service support pursuant to this section.

(3) Delayed Phase Down for Remote Areas in Alaska. Certain competitive eligible telecommunications carriers serving remote areas in Alaska shall have their support phased down on a later schedule than that described in paragraph (e)(2) of this section.

(i) Remote Areas in Alaska. For the purpose of this paragraph, "remote areas in Alaska" includes all of Alaska except;

(A) The ACS-Anchorage incumbent study area; (2) the ACS-Juneau incumbent study area;

(B) The fairbankszone1 disaggregation zone in the ACS-Fairbanks incumbent study area; and

(C) The Chugiak 1 and 2 and Eagle River 1 and 2 disaggregation zones of the Matanuska Telephone Association incumbent study area.

(ii) Carriers Subject to Delayed Phase Down. A competitive eligible telecommunications carrier shall be subject to the delayed phase down described in paragraph (e)(3) of this section to the extent that it serves remote areas in Alaska, and it certified that it served covered locations in its September 30, 2011, filing of line counts with the Administrator. To the extent a competitive eligible telecommunications carrier serving Alaska is not subject to the delayed phase down, it will be subject to the phase down of support on the schedule described in paragraph (e)(2) of this section.

(iii) Baseline for Delayed Phase Down. For purpose of the delayed phase down for remote areas in Alaska, the baseline amount shall be calculated in the same manner as described in paragraph (e)(1) of this section, except that support amounts from 2013 shall be used.

(iv) Monthly Support Amounts. Competitive eligible telecommunications carriers subject to the delayed phase down for remote areas in Alaska shall receive the following support amounts, except as provided in paragraphs (e)(4) through (e)(6) of this section.

(A) From January 1, 2014, to June 30, 2014, each competitive eligible telecommunications carrier shall receive its monthly baseline support amount each month.

(B) From July 1, 2014 to June 30, 2015, each competitive eligible telecommunications carrier shall receive 80 percent of its monthly baseline support amount each month.

(C) From July 1, 2015, to June 30, 2016, each competitive eligible telecommunications carrier shall receive 60 percent of its monthly baseline support amount each month.

(D) From July 1, 2016, to June 30, 2017, each competitive eligible telecommunications carrier shall receive 40 percent of its monthly baseline support amount each month.

(E) From July 1, 2017, to June 30, 2018, each competitive eligible telecommunications carrier shall receive 20 percent of its monthly baseline support amount each month.

(F) Beginning July 1, 2018, no competitive eligible telecommunications carrier serving remote areas in Alaska shall receive universal service support pursuant to this section.

(v) Interim Support for Remote Areas in Alaska. From January 1, 2012, until December 31, 2013, competitive eligible telecommunications carriers subject to the delayed phase down for remote areas in Alaska shall continue to receive support as calculated pursuant to paragraph (a) of this section, provided that the total amount of support for all such competitive eligible telecommunications carriers shall be capped.

(A) Cap Amount. The total amount of support available on an annual basis for competitive eligible telecommunications carriers subject to the delayed phase down for remote areas in Alaska shall be equal to the sum of "total 2011 support," as defined in paragraph (e)(1)(i) of this section, received by all competitive eligible telecommunications carriers subject to the delayed phase down for serving remote areas in Alaska.

(B) Reduction Factor. To effectuate the cap, the Administrator shall apply a reduction factor as necessary to the support that would otherwise be received by all competitive eligible telecommunications carriers serving remote areas in Alaska subject to the delayed phase down. The reduction factor will be calculated by dividing the total amount of support available amount by the total support amount calculated for those carriers in the absence of the cap.

(4) Further reductions. If a competitive eligible telecommunications carrier ceases to provide services to high-cost areas it had previously served, the Commission may reduce its baseline support amount.

(5) Implementation of Mobility Fund Phase II Required. In the event that the implementation of Mobility Fund Phase II has not occurred by June 30, 2014, competitive eligible telecommunications carriers will continue to receive support at the level described in paragraph (e)(2)(iv) of this section until Mobility Fund Phase II is implemented. In the event that Mobility Fund Phase II for Tribal lands is not implemented by June 30, 2014, competitive eligible telecommunications carriers serving Tribal lands shall continue to receive support at the level described in paragraph (e)(2)(iv) of this section until Mobility Fund Phase II for Tribal lands is implemented, except that competitive eligible telecommunications carriers serving remote areas in Alaska and subject to paragraph (e)(3) of this section shall continue to receive support at the level described in paragraph (e)(3)(iv)(A) of this section.